meridian

ASSET MANAGEMENT (C.I.) LIMITED

INVESTMENT MEMORANDUM

To look at the table of international equity performances below, one would have thought that it was an unremarkable quarter and certainly not one with the volatility which was experienced following President Trump's 2nd April announcement. As it appeared, though nothing is certain at the moment, that the President was rowing back on the largest of the tariff impositions, markets started to recover their poise.

The tables below detail relevant movements in markets :

International Equities 31.03.25 - 30.06.25

Total Return Performances (%)				
Country	**Local Currency**	**£**	**US$**	**€**
Australia	+9.2	+8.2	+14.9	+5.7
Finland	+6.6	+9.1	+15.8	+6.6
France	+1.4	+3.8	+10.2	+1.4
Germany	+7.7	+10.3	+17.1	+7.7
Hong Kong	+14.4	+6.8	+13.4	+4.3
Italy	+7.0	+9.5	+16.3	+7.0
Japan	+7.6	+4.9	+11.4	+2.5
Netherlands	+9.4	+12.0	+18.9	+9.4
Spain	+8.0	+10.6	+17.4	+8.0
Switzerland	-2.4	+2.2	+8.5	-0.2
UK	+2.9	+2.9	+9.3	+0.5
USA	+11.4	+4.9	+11.4	+2.5
All World Europe ex UK	+3.6	+6.2	+12.7	+3.7
All World Asia Pacific ex Japan	+8.6	+6.1	+12.2	+3.6
All World Asia Pacific	+8.3	+5.7	+12.6	+3.3
All World Latin America	+7.9	+7.4	+14.0	+4.9
All World Emerging Markets	+6.7	+3.4	+9.8	+1.1
All World	+9.5	+5.2	+11.7	+2.8

Source : FTSE All World Indices

FTSE UK Government Securities Index All Stocks (total return) : +1.9%

International Bonds - Benchmark Ten Year Government Bond Yields (%)

	31.03.25	30.06.25
Sterling	4.67	4.49
US Dollar	4.19	4.21
Yen	1.49	1.39
Germany (Euro)	2.74	2.60

Sterling's performance during the quarter ending 30.06.25 (%)

	Quarter Ending 30.06.25
US Dollar	+6.3
Canadian Dollar	+0.5
Yen	+2.1
Euro	-2.4
Swiss Franc	-4.7
Australian Dollar	+0.8

Other currency movements during the quarter ending 30.06.25 (%)

	Quarter Ending 30.06.25
US Dollar / Canadian Dollar	-5.2
US Dollar / Yen	-3.8
US Dollar / Euro	-8.1
Swiss Franc / Euro	+2.4
Euro / Yen	+4.7

Significant Commodities (US dollar terms) 31.03.25 - 30.06.25 (%)

	Quarter Ending 30.06.25
Oil	-10.9
Gold	+6.5

MARKETS

- International equity markets largely recouped 2nd April tariff announcement falls but gains in the USA were led by the large technology stocks.

- Bond markets generally steady but bouts of nervousness at the long end arising from concern about budget deficits.

- The US dollar was noticeably weak, detracting for foreign investors from the significant rise in the US equity market.

- Although in positive territory, the UK equity market underperformed.

- Gold continued to benefit from its status as a safe haven in uncertain times.

- Oil, which spiked on the US and Israeli moves on Iran, soon fell back when it appeared that oil supplies would be unaffected.

ECONOMICS

Given all the bad geopolitical and economic news which has dominated this latest quarter as well as earlier ones, investors may be surprised to see how well international equities and bonds have held up. One can't help but feel that, had these events been superimposed on years gone by, markets would have fallen sharply and taken time to recover. This is not in any way to be complacent about markets' current reactions to events but, rightly or wrongly, it seems that the capacity to absorb bad news is much greater with short lived falls in prices being seen as a buying opportunity. Only time will tell if this is a correct assessment but that is how it looks at present. Perhaps lessons have been learned from the opportunity costs incurred from previous hasty sales of shares in the face of bad news with the Covid experience being the most recent one where the initial sharp falls in equity prices in late February and March 2020 were soon expunged to be replaced by a strong recovery which left the year showing positive returns for holders of international equities. It isn't as if the main alternative option, fixed interest securities, are obviously cheap.

The meaningful short term fall in prices this quarter occurred right at the beginning on 2nd April when President Trump announced wide ranging tariffs against other countries at far higher levels than expected. Investors had not discounted these tariff levels, hence the sharp fall in share prices. These tariffs were in addition to the baseline 10% tariff level which he had imposed and there were especially high ones for China with the subsequent tit for tat raising the tariff against China to 145% whilst China responded with a 125% tariff level. These were peak levels and subsequently reduced. By themselves, investors might be forgiven for thinking of the economic consequences of high tariffs or any tariffs for that matter, namely a slowdown in world trade and therefore economic growth, higher inflation and therefore probably interest rates not as low as expected and a possible recession. That is what did trouble markets originally, hence the sharp fall in share prices. In parallel with this, some investors and commentators feared that the President was abusing his executive powers. In recent reviews, we have been urging our readers to play the ball and not the man and watch what President Trump actually does rather than what he might say. And, yes, in those early post 2nd April days investors could be forgiven for being diverted by his personality and fearing the worst. However, it was more important than ever to stand back and make a dispassionate judgement on events. What could stop this seemingly unstoppable juggernaut? Well, it turned out to be the bond market and this is something we have touched upon in recent reviews. As we will discuss later, the USA has an outsize budget deficit, approaching 7% of GDP, and therefore a pressing need to keep the US Treasury bond market onside. If investors refuse to fund this borrowing requirement at what would be considered a normal level of interest rates, confidence disappears, the currency might weaken sharply and there could be a full blown financial crisis. Even a President at the peak of his powers and authority cannot argue with the bond market and our previous references to James Carville of the Clinton era with his comments on the bond market are highly relevant here. No President's reputation can survive a major financial crisis. The discipline of the bond market is investors' best hope of some stability returning to markets and so it proved in this case as the President started to row back on the most severe tariff levels. Of course, we are not there yet and they are still distorting markets and causing significant supply chain issues but it is reasonable to assume that we are past the worst, hence the more stable condition of current markets. It goes without saying that if the US President's most extreme measures can be tamed by the bond markets, it is even more the case for other markets which do not have the USA's advantage of being the world's major reserve currency. The President paused most of the additional tariffs for 90 days to 9th July to give time for negotiations to take place so it is uncertain how much he will row back but probably 2nd April represents the worst point of the tariff project and, as this is written just before the deadline, this looks to be the case.

However, the US bond market now has to face another issue, President Trump's "One, Big, Beautiful Act" which has passed through Congress and signed into law on 4th July. This "One, Big, Beautiful Act" aims to extend many provisions of the 2017 Tax Cuts and Jobs Act as well as new provisions but it's expensive and, given the very large size of the USA's budget deficit, 6.4% of GDP, and getting worse, bond investors have to be worried. Normally, investors would welcome the permanent extension of the rates and brackets of the 2017 individual tax cuts and some provisions for business but the problem is the cost. The nonpartisan Congressional Budget Office (CBO) estimates that the Act will increase budget deficits by as much as US$2.8 trillion over the next decade. The CBO suggests that the Act will mean real GDP growth on average 0.5% higher over the decade bringing in an extra US$124 billion in revenue. On the other hand, the CBO estimates that interest rates will increase by an average of 14 basis points resulting in an extra US$445 billion of interest payments. The CBO gives two estimates of how much the deficit will increase as a result of the Act. At the low end of the dynamic score the deficit would increase by US$2.8 trillion and at the high end by US$3.3 trillion by 2034. Even before this Act, the projections from the CBO were alarming. It estimated that federal debt held by the public will rise from 100% of GDP in fiscal year 2025 to 156% of GDP by 2055, 50% higher than the prior record. It forecast that annual deficits will grow from 6.2% of GDP in 2025 to 7.3% of GDP by 2055, the highest level outside a crisis. Spending will continue to outpace revenue. Spending has risen from 20.7% to 23.3% of GDP since 2016 and is projected to increase to 26.6% by 2055. Revenue is projected to grow from 17.1% of GDP in 2025 to 18.2% in 2027 as the Tax Cuts and Jobs Act expires and then increase gradually to 19.3% of GDP in 2055. But, of course, it may not expire. Frighteningly, interest costs will reach a record 3.2% of GDP this year, more than the cost of defence and Medicare and further grow to 5.4% by 2055. If the Tax Cuts and Jobs Act's provisions are extended, it could boost debt by US$40 trillion over 30 years to above 200% of GDP. The point of reciting these CBO forecasts is to show how serious the situation is now and how the One, Big, Beautiful, Act could make things worse. Particularly at the long end of the US Treasury bond market, investors are very sensitive to moves which threaten public finances and it is why the US bond market is the major constraint on the President's tariff and spending plans. It is also pertinent to note that foreign ownership of US Treasury securities reached US$8.2 trillion at the end of 2024, around 30% of US Treasury bonds outstanding. That is a related but additional constraint on fiscal profligacy since heavy selling by overseas investors could cause major falls in US Treasury bond prices. Of course, it could be self-defeating for such sellers given that it would depress the price of their remaining US Treasury securities. Just as one example, foreign holders sold a net total of US$50.6 billion of long term US Treasury securities in April, broken down as private foreign investor sales of US$20.5 billion and foreign official institutions of US$30.1 billion. Additionally, foreign residents decreased their holdings of US Treasury bills by US$12.0 billion. This is, of course, one month's figures and foreign Treasury holdings remain near a record high but it is indicative of a trend away from US government debt and, given, the substantial foreign holdings of US government debt, it is a trend which the US Administration has to watch. So, apart from any political reasons why foreign holders may wish to reduce their exposure to US debt (for example, China) the trajectory of US government debt will be a negative signal for them, as well as domestic investors. In a counterintuitive way, this may also give some comfort to investors that the most extreme economic policies may have to be reined in through fear of the effect they may have on the US bond market. The nervous initial reaction in US Treasuries to the 2nd April tariff announcements could be a precursor of things to come.

The focus of investors' attention switches very quickly and, as this is written, it has, at least temporarily, switched from the USA's bombing of Iranian nuclear facilities, and the possible consequence of this, back to the tariff issues as the 9th July deadline approaches and so it is important to go back to the 2nd April announcements. They had a short term significant negatively effect on markets before President Trump's temporary partial reprieve, almost certainly due to the bond market's reaction, induced a strong recovery in markets to leave a number of them at around their all time high points at the end of the quarter. We have outlined, and our readers will already have known this, the reasons why tariffs are a generally bad idea. It is also important to say that there are occasions when tariffs can be justified. These will normally be when a country faces goods being "dumped" on their markets at below cost or when, which may amount to the same thing, the firms exporting the product are being subsidised, either by their government or from within the business. Such practices unfairly distort markets and have been the subject of many arguments, perhaps one of the biggest being the Airbus/Boeing disputes. Markets can also be distorted by non tariff factors like rules and regulations which hamper exports. The USA particularly has the EU in its sights on these non-tariff barriers. In economics, the law of comparative advantage sets the scene for why tariff barriers are generally bad but bringing it down to every day issues, they mean that the unnecessarily higher prices which consumers have to pay for the products they buy gives them less to spend elsewhere and that way economic growth is slowed down and activity in the world economy moves to a lower level than it would otherwise stand at. So, people are less well off than they would otherwise be. This is expressed in an over simplistic way but it makes the point and we see this in the downgrades for world economic growth.

If we look at the World Bank's latest Global Economic Prospects issued in June, we see that it has downgraded its forecast for world economic growth this year to 2.3%, a reduction of 0.4% on its January 2025 forecast. Its 2026 forecast has been downgraded by 0.3% to 2.4%. Perhaps not surprisingly, there has been a major downgrade for the USA with growth this year now forecast to be 1.4% down 0.9% from January. For 2026, growth is now forecast at 1.6%, a downgrade of 0.4%. For the euro area, growth for 2025 is now put at 0.7%, 0.3% lower than in January. For 2026, growth is forecast to be 0.8%, a downgrade of 0.4%. There is no change in the forecasts for China at 4.5% and 4.0% respectively whilst for India the forecasts are 6.3% and 6.5% respectively, downgrades of 0.4% and 0.2% from January. These forecasts are bound to change as the year progresses but the unarguable point is that they reflect the damage which tariffs or threatened tariffs can do to economic growth prospects both directly in the prices which consumers pay for the products they buy and indirectly through interruptions to supply charges and the additional costs which these involve. Tariffs put sand in the wheels of growth. It is worth noting that President Trump has threatened to add to tariffs for countries buying goods from Russia. These would be purely political tariffs.

Even though the US equity market has performed strongly in local currency terms, much less so in sterling terms, there is evidence that foreign investors have been sellers of US stocks. Because of the size of the US market, it will almost always represent the largest overseas weighting for most investors and Meridian is no exception. The question is whether US economic and trade policy, either with reference to the tariffs or the One, Big, Beautiful, Act means that the US equity weighting should be reduced in favour of, but not necessarily only, Europe including the UK.

So, why do foreigners invest in US equities? The obvious first answer is that the sheer size of the market, around 65% of the world market capitalisation, dictates important exposure, even if not at index weightings. The second reason is that the USA offers an unrivalled spread of sectors to which foreign investors can gain exposure and, often within these sectors, an unrivalled spread of companies. Particularly in the area of technology, there are many companies in which investors can take a stake outside the Magnificent Seven. This has not changed as a result of tariffs. The third reason is a cultural one. Success is generally not resented in the USA and the ability to start up and develop businesses is not hampered in the way it can be in Europe and the UK. Although there is plenty of red tape in the USA, it is not at European levels and the barriers to business are lower. One of the policies of President Trump, which will resonate with many US companies and investors, even if they may not agree with the way it is executed, is his deregulation agenda. Excessive regulation cramps business and by extension economic growth and sensible deregulation can be a virtually cost free way of stimulating economic growth. Fourth is taxation. Although from the aspect of fiscal responsibility which we discussed earlier, and this is a really significant issue, the preference for low corporate and personal taxes resonates well with investors and companies. The deregulation cull and fiscal agenda of the current administration remain positive points. Fifthly, and connected with this, is that the USA has much better growth potential than most other developed markets. In productivity terms, it far outshines most of its competitors in developed markets. Since 1960, US productivity growth has been at a 2% compounded rate, something that other countries have not been able to emulate. Whilst the UK's productivity growth rate up to the Global Financial Crisis was around 2% a year, it has now completely tailed off and Europe is in a similar situation. It is hard not to believe that the USA's superior productivity and growth levels reflect a better business environment than in the UK and Europe. There is no reason to believe that this position will change. Before taking any fundamental decision about reducing an equity asset allocation to the USA, one has to ask if any of the alternative investment areas have suddenly become more attractive in their own right irrespective of the tariff or any other background economic events in the USA.

If we look at equity market movements so far this year, European markets have generally performed better than the US market and much better in currency adjusted terms given the weakness of the US dollar. Is this a default move in the sense that bad news from the USA must mean good news for Europe and the UK or is something more fundamental at work which has increased the attraction of these markets in their own right? Of course Meridian has significant exposure to Europe and the UK because there are many world class companies based there but we have not seen convincing evidence that they have become more attractive in their own right. We always try to look at events and governments' actions through the eyes of a rational investor and avoid giving any political opinions. Coming back to President Trump any personal views of him should not inform an investment manager's policies, rather it is the actions which he and his administration have taken. So very simplistically, an investor may say his deregulation programme is good and his tariff programme bad. Of course, it is far more complicated than this but we have used these examples to make the point about how an investor might view events and policies as they formulate an investment strategy.

In this context, let us look at the UK first where some commentators are advocating an increase in weighting in a market where the performance has been well behind that of the USA over many years, although not so far this year especially when viewed in sterling. An investor can reasonably point to some negative actions which against the aspiration of a strong economic performance, which is the government's (or any government's for that matter) main objective, do not seem to fit given that meaningful economic growth is necessary to provide the tax revenues necessary to fund public services. Last October's budget aimed to raise money from the corporate sector by raising employers' National Insurance contributions and reducing the level of income at which they become payable. Additionally, there was a large increase in the minimum wage. Whether one agrees with these measures or not, not many economists can seriously doubt their negative consequences which, amongst other ones, will be increased inflation as companies seek to offset their increased costs, reductions in their workforces and/or reduced hiring and we are beginning to see these effects. Whilst the tax take will increase in the short term, after that the possibility of lower company profits, fewer people employed and reduced economic growth will have a negative effect on government finances through lower revenue and higher welfare payments as unemployment increases. As a side effect, which should help to increase productivity in the medium and long term, it will speed up automation and the use of Artificial Intelligence (AI). Whilst wage growth is above the level of inflation at present, partly because of the increase in the minimum wage, the situation is likely to change as employers try to mitigate the effect of their increased costs by limiting pay rises. This will adversely affect spending power and dampen economic growth. Coming up is an employment rights bill, described by The Times as draconian, which investors will feel will reinforce the negative effects of last October's budget by introducing significantly more friction in the employment market by increasing the costs (estimated by the government to be £5 billion) and risks to businesses. Parts of the Bill have been delayed but not abandoned. The Budget and employment legislation will, investors can reasonably conclude, decrease the attraction of the UK as a place for doing business. Investors will also detect a strong anti-wealth feeling encapsulated by the ending of non-dom status. Predictably, it seems that many non-domiciled individuals have left the UK for a more benign environment. So, instead of raising money as the government thought it would do, it might end up losing money. The fall in house prices in areas where non-doms have traditionally lived in London bears testament to the effect of the policy. The reason that we make these points is that they do have an effect on investors' view of a country's stock market. Rightly or wrongly, the UK might be perceived to be unfriendly to business and wealth and, by extension, to direct or indirect investors. A litmus test will come in the autumn when, because of a deterioration in the state of public finances which have almost certainly eliminated the headroom the Chancellor gave herself in March, tax rises are considered highly likely. Whilst many investors and economists would welcome the problem being addressed through cuts in public expenditure rather than further tax increases, these may prove to be very difficult for the government to make on the scale necessary and after the recent revolt by the government's backbenchers on welfare payments almost impossible. What might investors view as positive for the UK to support the government's growth objectives? Two aspirations stand out which are loosening the planning laws and deregulation (although not in the labour market). Loosening the planning laws might seem a quick win as the government seeks to see more houses built. Whilst possibly not as bad as in Europe, the UK has a serious problem with red tape, not least affecting planning. The more a country can deregulate to a level that is proportionate to what is strictly necessary, the better the growth prospects so this is an area which investors will be watching because ease of doing business is a plus for investors whether directly or indirectly and this is where the USA scores. The concerns which we have about the investment case for the UK remain and, if anything, have become stronger as the inability to rein in the growth of government spending almost certainly means further growth-destroying tax rises. We will remain invested in a modest way but do not believe its attraction relative to the USA has increased, rather it may have decreased. Many of the UK companies which we hold have significant overseas exposure thus giving some insurance against deteriorating conditions in the UK.

As we have noted, a number of European markets have performed well this year, notably Germany, Spain and Italy, quite probably because of a switch in relative preferences of investors downgrading their exposure to the USA as a result of recent events. But is this justified? Europe as a whole has the same growth and productivity problems as the UK, one of the reasons almost certainly being over regulation which restricts growth and surely the reason why Europe has lagged the USA so significantly in the technology sector. There are indications that the EU realises that excessive regulation is affecting the area's growth potential but whether action is taken remains to be seen.

One significant problem for the EU is the level of indebtedness of some of its largest members, a function of historic and current budget deficits with France and Italy of particular concern. France had a budget deficit of 5.4% of GDP in 2024 and outstanding government debt as a percentage of GDP at 113% at the same date with the position worsening. With parliament fragmented following the indecisive parliamentary elections last year, dealing with the deficit is an intractable problem at present. The budget earlier this year hit large firms and wealthier individuals, with meaningful cuts in public expenditure which to most independent observers is necessary given the size of the state, yet almost impossible to achieve given public opinion. It is true that the USA's budget deficit is at an even more alarming level than that of the UK and France but it does have the advantage of having the world's largest reserve currency which always creates a demand for US dollars. The difficulty for the eurozone is that the problems of one member, particularly a large one, cannot be isolated. As debt servicing costs grow, the cost weighs down on countries' budgets and through that to economic growth. So, the problem of inflexible economies, a function of over regulation, and heavy indebtedness will not make investors feel more comfortable about the area's relative attractions. However, down the line, there is likely to be some better news coming as a result of Germany's decision to relax its strict debt brake rules and increase expenditure on defence and infrastructure. Germany's strong financial position, arising from its relatively low level of outstanding government debt as a percentage of GDP, enables it to make a large increase in expenditure and the economic multiplier effects of this should not only benefit the German economy but the wider EU as well, giving hope that the area's growth rate might improve. But the key investment factor, in our opinion, is that, as in the UK, looked at in isolation the attractions of the European markets have not increased, and possibly, as in the UK have diminished.

Looking at evidence of market shifts away from the USA, we see a mixed positive. Emerging markets and developing economies continue to have better growth prospects than most developed economies and developed Asian economies likewise. Whilst a clear pattern, albeit a short term one given that President Trump has not been in office for very long, is evident from market movements in Europe, it is a mixed picture elsewhere. If we look at the Far East, we can see that the Hong Kong and Korean markets have performed particularly well but others, especially Thailand, have performed poorly so there is no evident trend there. There are still so many unknowns as this review is written that making judgements about the attractions or otherwise of markets based on President Trump's economic decrees has to be highly tentative. We believe that it is a lazy assumption to say that because tariffs are bad, which they generally are, the USA is a relatively less attractive stock market in which to invest. Although the USA has instigated a tariff war, it doesn't mean that it will suffer most from the negative consequences of tariffs. The USA is a relatively closed economy, meaning that it relies less on imports than other countries because of the volume of goods it produces domestically. It is estimated that imports account for only about 15% of US GDP. However, although this may be a relative, although not an absolute, advantage for the USA, we have tried to concentrate in this review on the issues which have hitherto made the US equity market such a strong performer and sell on a higher rating than other developed markets equities. We have emphasised relative attractions or otherwise of the US, European (ex UK) and UK markets through the eyes of what we might call a rational investor although we accept that this involves a degree of subjectivity. What we have avoided is making political judgments, rather looking at the practical consequences of actions taken by different governments and the signalling which this gives to investors. Our conclusion is that not much has changed. The USA, although suffering from a significant amount of regulation, remains a much more business and investor friendly country than the EU or the UK. The push for deregulation could yield positive results for the US economy. There is also much less of an anti-wealth and success attitude than there is in the UK and Europe. The superior productivity performance of the USA, reflecting the absence of some of these negative influences seen in Europe and the UK, argues for a continuation of the country's superior growth rate. With the USA a heavily polarised society, it is possible that the political pendulum could swing the other way but that does not appear to be an immediate prospect. By contrast, we do not feel that the poor relative performance of the European and UK economies is a coincidence. Certainly, in the UK, investors may feel that there is a strong anti-business, anti-wealth strand running through the country as evidenced by taxation changes to fund additional government expenditure and personal taxation moves which appear to have caused many non-doms to leave the country. Investors might feel that the UK is a less friendly place in which to do business. A common theme within the EU is heavy regulation and a seeming antipathy amongst regulators to the tech sector. With government finances stretched, some governments, such as the one in France, look to the private sector and wealthy individuals for money, again a poor signal for investors although one irony resulting from the end of non-dom status in the UK is that some European countries are welcoming those affected with attractive packages. The UK and some

European countries share with the USA a serious budget deficit problem but, even though European countries are not running budget deficits at as high a level as the USA, by virtue of the US dollar being the major reserve currency, it does give the USA more leeway although markets will ensure that these deficits have to be addressed. We pointed to France's serious deficit problem and how difficult it is to make the necessary savings from public expenditure. The fact that Europe is lagging in the field of technology and the suspicion of it which is evidenced by the actions of European governments and the regulators means that this important driver of growth is likely to be less evident in Europe and perhaps the UK (which has a more positive view though). UK and European regulators are a problem for President Trump with the probes and fines on US technology companies. Overall, we do not feel that there is a fundamental case for de-emphasising the USA in favour of Europe and the UK, if anything the case for the USA is reinforced.

We have talked about the large budget deficits being run in the USA, UK and parts of Europe, notably France, and we have also warned about the constraints which the bond markets have placed on politicians where we personalised this around President Trump and his partial row back on the 2nd April tariff levels after the traumas in the US long Treasury bond market. Whilst some commentators have highlighted what they believe to be the attractions of the bond markets, we are very cautious. The sheer supply of bonds in the USA as well as in the UK, Japan and parts of Europe, notably France, and the difficulty of controlling public expenditure, does not argue for better returns than on equities. Most businessmen run their companies better than politicians in some countries run their government finances and there will still be some modest, albeit sub average, growth in a number of countries which will be helpful to company profits and dividends. The resilience of equity markets speaks to investors becoming less skittish and taking some admittedly big geopolitical and economic events in their stride.

It may seem strange that we have only mentioned geopolitical events in passing given the enormity of the events which have taken place in the Middle East. The outcome of these developments is unknown although, as this is written, the situation seems less febrile than it was in June. We would argue that there are always unknowns in terms of geopolitical developments and therefore there is always a reason to hold back from investing or going liquid but history shows that this is an expensive course of action or, at least, it has been which is why we have not reduced our equity exposure during this and previous periods of turmoil such as in the early stages of Covid.

In summary, we do not believe that bonds offer an attractive alternative to our current equity exposure and that, relatively, despite all the noise, we also do not believe that the USA has become a less attractive market for long term investors.